

194
Add Ag
pt. 1
APR 16 1935

AGP

AGRICULTURAL ADJUSTMENT

Part I -- Why

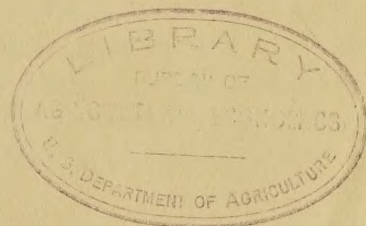
The Relation of Agricultural Income to National Prosperity

- a - America's Agricultural Population
- b - American Agriculture and Foreign Markets
- c - American Agriculture and Domestic Markets
- d - American Agriculture and Industry

Summarize: The Relation of Agricultural Income to National Prosperity

"The world is all one piece of ground. All civilized peoples are part of an interdependent community. When men and nations work against each other blindly and combatively, the end of it is ruin and despair. When they begin to fit their farming operations and their business activities into a modern cooperative design, one that gives everyone a chance to make a living and enjoy a more civilized degree of security and leisure, then they are looking toward a better day."

Henry A. Wallace,
Secretary of Agriculture.



AMERICA'S AGRICULTURAL POPULATION

"The welfare of business and financial interests is directly dependent upon large consumer purchasing power of agricultural and urban populations. The opportunity for cooperation to bring it about should not be permitted to go by default, but should be employed to build a civilization worthy of America."

Rexford G. Tugwell: "Economic Freedom and the Farmers." April 28, 1934.

What Proportion of our population lives on farms and in communities of less than 2500?

"Of the 122,775,046 people in the United States in 1930, 30,445,350 or 24.8 percent have been classified by the Bureau of Census as being strictly "farm population". Living in "rural territory", that is, in towns of 2500 population or less and in the open country, were 53,820,223 people, or 43.8 percent."

U. S. Department of Commerce, Abstract of the 15th Census of the United States, Washington, 1934. pp 9, 14, 19.

What should be the share of the farmers in the National income with respect to their own welfare and the prosperity of the Country?

"Only rarely has there been discussion of the basic question: namely, what is a fair share of the national income? Is it 10 percent, or 15 or 20?....."

"I would like to be able to offer a neat and precise formula, but I can't, and I know of no one who can. We can, however, make some progress by agreeing upon even a general definition, That general definition must certainly include some reference to a decent standard of human living, to the maintenance of a balanced flow of production, to an adequate or perhaps a maximum consumption, and to the conservation of soil fertility. Having in mind the permanent welfare of our country, we might phrase the definition of 'fair share' as follows: Farmers will have a fair share of the national income when their share is sufficient (1) to maintain a flow of production in balance with the needs of a maximum consumption, (2) to provide for decent human living, and (3) to achieve these ends without impoverishing the soil."

Secretary Wallace: "The National Agricultural Program in Relation to the Northeast."

"On the basis of past ratios the farm share of the total national income at present should be approximately 13 percent. This would be about 2 billion dollars above the 1934 level. Secretary Wallace thinks that of the 20 billion dollar increase in national income, one fourth must come to agriculture." "Unless that happens" Mr. Wallace contends, "the higher national level of income simply cannot be maintained for any great length of time." He adds: "Such an increase in farm income will mean, as it has meant in the past year, less urban unemployment by virtue of an increased rural demand and purchasing power for urban goods; it may mean higher prices for some products, but it will also mean larger incomes with which to pay the higher prices."

Information obtained from U. S. Department of Agriculture, Division of Information, AAA

.....

What was our National income 1919: 1921: From 1921 to 1928: 1932.

What amount went to the farmer in each of these years?

"In 1919 our National income was about 66 billion dollars, and 18 percent of it came to the farmer. For a brief period he received a larger share than he had been accustomed to. He was getting relatively more for the things he sold than for the things he bought. By 1921 the National income had dropped to 63 billion dollars, and of that amount the farmer got only 11 percent. During the next seven years the National income swelled to 88 billion dollars, but farmer's share of it declined to 9.3 percent.

"Then came the general depression, and turned his chronic disadvantage into an acute disadvantage.

"By 1932 the National income was cut almost in two; the farmer's share of that reduced amount fell to about 7 percent. The purchasing power of a given quantity of farm commodities, expressed in terms of goods farmers buy, fell to about half what it had been before the war."

"Achieving a Balanced Agriculture." p. 2,
U. S. Dept. of Agriculture Bulletin G-20.

ESTIMATED NATIONAL INCOME, FARM INCOME, AND THE ESTIMATED PER CAPITA
INCOME OF NON-AGRICULTURAL & AGRICULTURAL GROUPS, 1919 TO 1932, INCLUSIVE.

Year	Estimate of National Income	Farm Income	<u>PER CAPITA INCOME</u>	
			Non-Agricul- tural group	Agricultural group
1919	\$ 65,949,000,000	\$12,200,000,000	\$899.00	\$386.00
1920	73,999,000,000	11,026,000,000	988.00	349.00
1921	63,371,000,000	6,971,000,000	828.00	230.00
1922	65,925,000,000	7,318,000,000	844.00	230.00
1923	74,337,000,000	8,028,000,000	926.00	256.00
1924	77,136,000,000	8,331,000,000	939.00	268.00
1925	81,931,000,000	9,050,000,000	978.00	291.00
1926	84,238,000,000	8,087,000,000	982.00	263.00
1927	87,276,000,000	8,291,000,000	993.00	274.00
1928	88,283,000,000	8,210,000,000	985.00	271.00
1929	91,405,000,000	8,226,000,000	1001.00	272.00
1930	81,295,000,000	6,504,000,000	874.00	216.00
1931	67,000,000,000	4,690,000,000	717.00	153.00
1932	52,500,000,000	3,675,000,000	561.00	118.00

Source: Bean, L. H., and Chew, A. P., Economic Trends Affecting Agriculture.
United States Department of Agriculture, p. 33, July 1933.

Briefly outline the purchasing power of the farmer in 1926 and the halt in farm buying.

Producers goods bought by farmers in 1926:

Feed, seed, fertilizer.....	\$1,070,000,000
Containers, spray, twine.....	139,000,000
Operating cost of tractors, autos, trucks.....	417,000,000
Others (harness, ginning, insurance).....	289,000,000
.....	
Machinery, tractors, repairs.....	408,000,000
Autos and trucks.....	262,000,000
Repairs on farm buildings.....	282,000,000
.....	
Hired labor.....	932,000,000
Interest.....	717,000,000
Taxes.....	664,000,000
.....	
Balance on which to run the farm as a home.....	4,478,000,000

Average cash expenditure per family of 4.4:

Food (purchased).....	\$218.00
Clothing.....	234.00
Furniture.....	40.20
Operating goods (fuel, help, household supplies, etc.....	169.90
Health.....	61.60
Advancement (education, books, vacations).....	104.80
Personal (gifts, candy, tobacco).....	41.00
Life and health insurance.....	40.80
Unclassified.....	2.70
Total.....	914.00

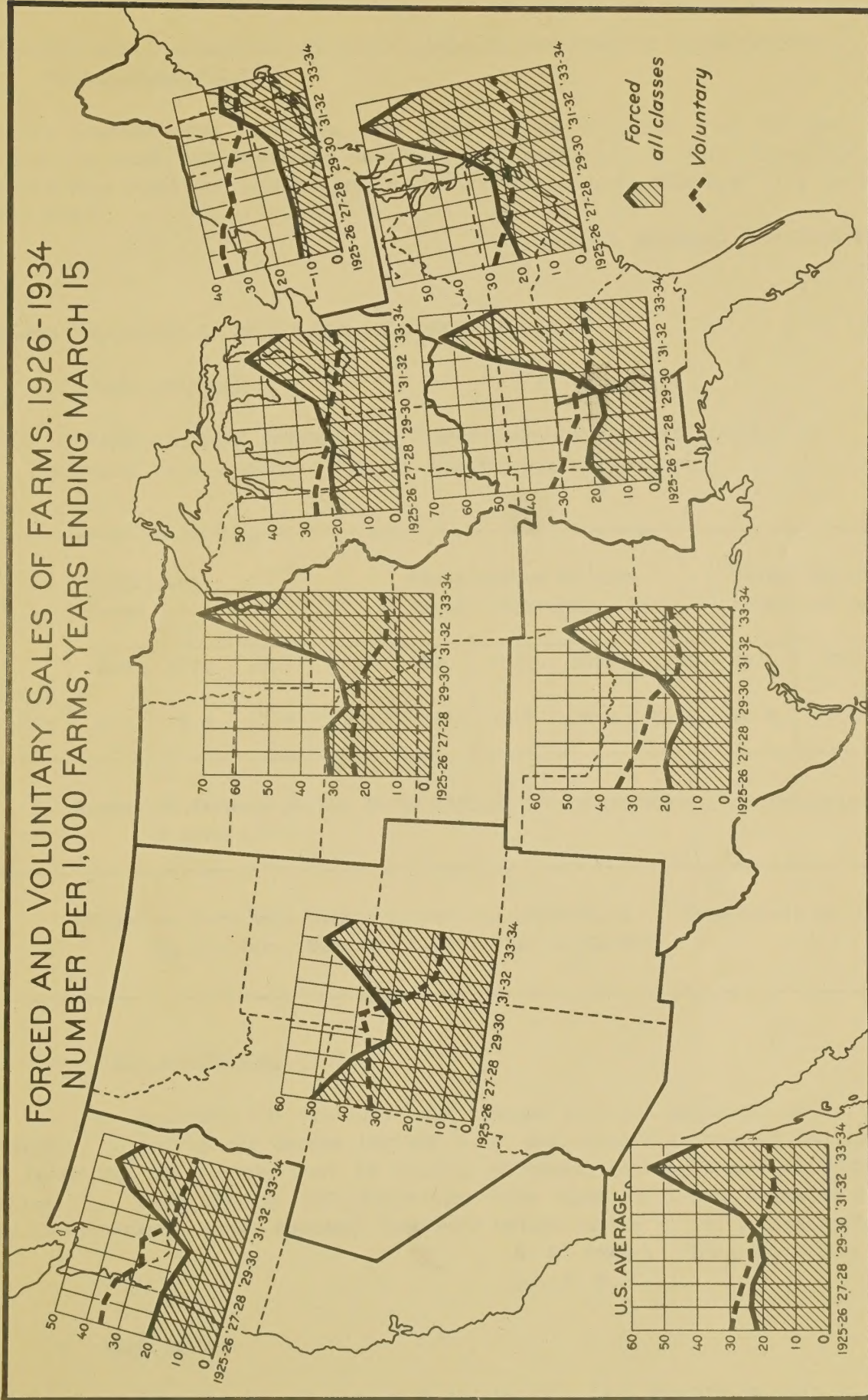
"The purchases for the farm as a business, plus the purchases for the farm as a home show the extent to which farmers were in the market in 1926.They were buying almost seven and a half billion dollars worth of goods, and were a vital factor in the business life of the Nation.

"By the end of 1932.....they had cut their purchases of producer's goods from \$2,- 867,000,000 to \$1,351,000,000, their expenditures on consumer's goods from \$4,478,000,000 to \$1,302,000,000.

"As the farmers dropped out of the market the city breadlines grew longer. Agricultural laborers, to whom in 1926 the American farmer had paid \$932,000,000 shared the wage-cuts and unemployment.The business of rural merchants was practically at a standstill. A further group to whom the fall in farm prices meant disaster was the group holding the \$10,000,000,- 000 of American farm mortgage debts."

"Achieving a Balanced Agriculture," pp. 18, 19, 20.
U. S. Department of Agriculture Bulletin, G-20.

FORCED AND VOLUNTARY SALES OF FARMS. 1926-1934 NUMBER PER 1,000 FARMS, YEARS ENDING MARCH 15



What effect did the decrease in revenue have on the farmer's fixed charges:
debt, taxes, etc.?

"No corresponding reduction took place in the farmer's fixed charges. They (taxes and what he owed for interest) were not very different in 1932, when his total income was just over 5 billion bollars from what they were in 1925 when his total income was nearly 12 billion."

"Achieving a Balanced Agriculture." pp. 2, 20.

What was the effect of devaluation of farm products on:

a. Farm Ownership.

NUMBER OF FARMS CHANGING OWNERSHIP BY FORCED SALES AND RELATED DEFAULTS *
per 1000 of all farms; 12 months ended March 15, each year.

	Delinquent Taxes				Foreclosures of mortgages, bankruptcy, etc.				TOTAL; Delinquent taxes and foreclosures.			
	1930	1931	1932	1933	1930	1931	1932	1933	1930	1931	1932	1933
UNITED STATES	5.1	7.4	13.3	15.3	15.7	18.7	28.4	38.8	20.8	26.1	41.7	54.1
Number of farmers losing farms 1930-33 in United States, approximately 1 out of 7.												
*Based on Farm Real Estate Situation, 1932-33, U. S. Department of Agriculture, Circular Number 309, -- 42-45												

b. Farm population.

"...Migration (to the city) was resumed in great magnitude after the depression of 1921. During the decade 1920-29 it is estimated that over 19 million people left the farms for the cities; over 13 million returned, leaving a net migration of about 6 million.From 1922 to 1929 migrations from farms to cities exceeded 2 million each year, - probably a larger movement than ever before in the Nation's history."

O. E. Baker: "The Outlook for Rural Youth."
pp. 4, 5.

c. Land Values

"The total value of farm real estate fell from \$66,316,000,000 in 1920 to \$30,-515,000,000 in March 1933."

AMERICAN AGRICULTURE AND FOREIGN MARKETS.

Why was America until recently a successful export nation?

"The farmers who opened up the Mississippi Valley during the last century were able to sell more and more wheat, cotton, corn and hogs because of the new means of transportation which were then coming into use. Railroads and steamships allowed them to become specialists in foodstuff and fiber production for a very large area. They were producing not only for their Nation but for the World.

"As producers for the world market, which meant primarily the European market, they had two special advantages. Their land came to them free--the only investment it represented was the expenditure of their energy in clearing it. Consequently, when they set a price on their products, they had no need to include a charge calculated to amortize over the years the original cost of their acres. Their European competitors, by contrast, grew their produce on high cost land. Furthermore the flat, spacious quarter-sections of the prairie States were ideal for the use of large-scale agricultural machinery, while most of the wheat fields of Europe were too small and too hilly for large scale implements to pay their way. Local geography gave the American farmer a decided advantage in relative costs of production.

"American farm products were attractive to the market of Europe because of their price; they were also attractive as factors in the exchange of goods across the Atlantic.

"Ever since the foundation of the American colonies a system of exchange had existed in which America was the specialist in raw materials and Europe the specialist in finished goods. The simultaneous rise of modern industry in England, and modern agriculture in the American Middle West vastly increased the scale of this exchange.

"In order to develop her resources quickly, the United States borrowed heavily from Europe throughout the two generations before the World War; the money which was brought into this country in the form of such things as rails for the new transcontinental roads was returned to the Old World in the form of foodstuffs that the railroads carried East.

"From the American farmer's standpoint, his market seemed to be, and for a long time was limited only by the limits of his own productivity. Then came the World War. European military needs were pyramided upon economic needs. The advantages to the American farmer were obvious. He put some 40 million additional grass-land acres to the plow."

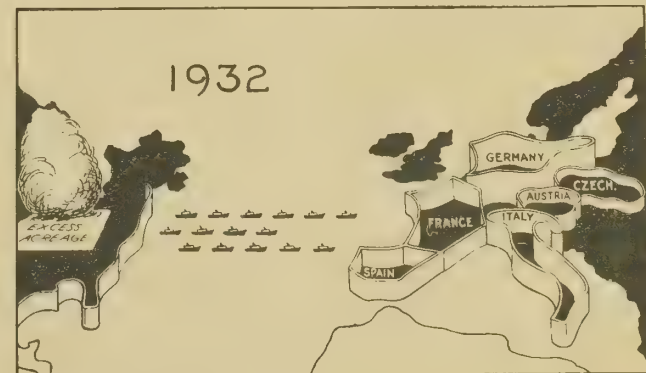
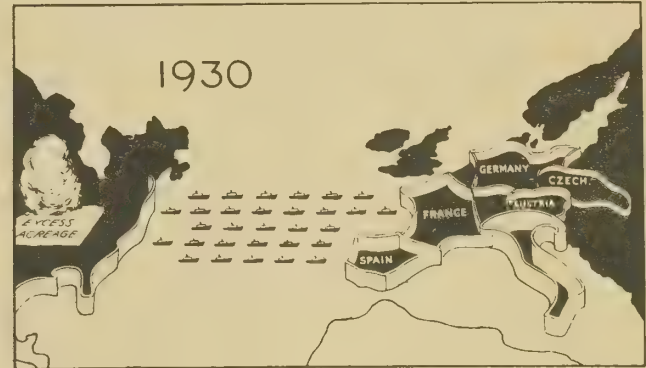
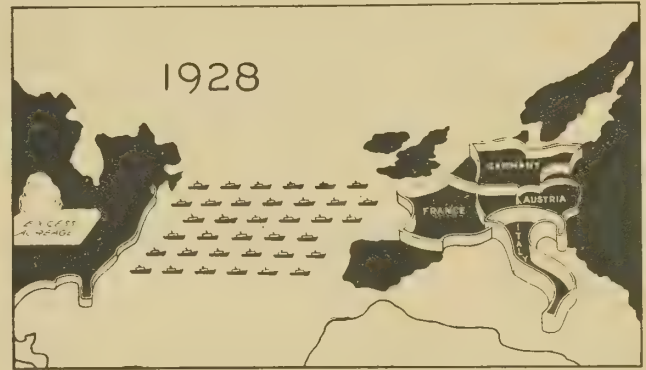
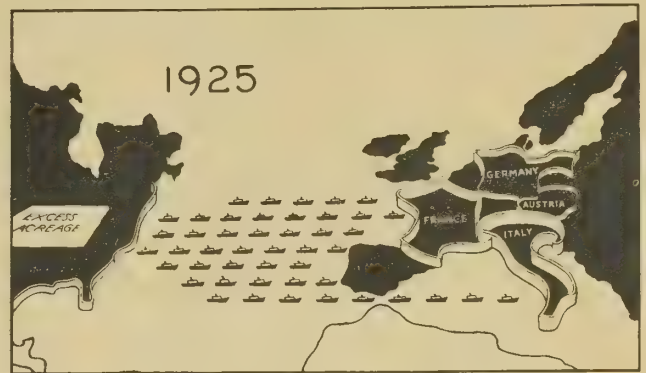
"Achieving a Balanced Agriculture". pp. 8, 9, 10.

U. S. Dept. of Agriculture Bulletin G-20.

Trace briefly "The Rise and Fall of Agricultural Exports 1909-1934." (SILHOUETTES.)

"The silhouettes above show what has happened to our old dream of expanding endlessly and feeding the world. Every boat in the series of pictures represents 50 million dollars worth of our food and fabrics shipped abroad.

FENCED OUT: WHY WE MUST CONTROL PRODUCTION



"Start at the upper left and follow the picture. Note how as war raged abroad our agricultural exports doubled and redoubled. Note that in order to replace some 40 million abandoned acres in continental Europe we added an equal or greater area to our tilled lands and speeded up our whole farm plant.

"The peak of our crop shipments came in 1920. Forbidding tariff walls began to rise soon after that on both sides of the water. As Europe got her war-wrecked lands back into bearing (1925 and after) these barriers mounted and multiplied.

"Note thereafter how our shipments of farm products dwindled. They dwindled even though we stubbornly refused to accept an overwhelming reality. Defiantly intent upon an impossible expansion, we kept lending Europe enormous sums with which to pay for our surpluses. Toward 1929 we saw we could not go on with this forever. We stopped lending Europe money. Now our food and fabric exports are less than they were before the War.

"Conditions growing out of the War have caused the separate nations of Europe to seek desperately to feed and clothe themselves. They are debtors trying to 'live at home'. The 40 million or more acres that we planted for that lost market are surplus acres now. Most of those surplus acres are still in cultivation."

Henry A. Wallace, Secretary of Agriculture.
"The Challenge of Facts,"

What have been the changes in money value of America's agricultural exports from the pre-war period to the present time?

"In 1909-10 America's agricultural exports, consisting mainly of cotton, wheat, tobacco, corn and hog products, amounted to \$871,158,000. By 1919-20 they had increased in value to \$3,861,511,000. By 1932-33 their value had fallen sharply to only \$588,169,000."

Information obtained from U. S. Department
of Agriculture, Division of Information, AAA.

(Note. Almost a \$3,000,000,000 increase in 1919-20, but more than a \$3,000,000,000 decrease in 1932-33.)

What were some of the chief reasons for these extreme changes, and what were additional causes of America's mounting surpluses?

"Our agricultural plant was expanded enormously during the War, first to fill European orders, and then to fill our own after the United States entered the war. Between 1914-1919 40 million acres of American grass and woodland were brought under the plow to raise additional cereals, meat and cotton for the war-expanded market in Europe. This expansion of our agricultural plant was simultaneous with Europe's withdrawal of 40 million acres from cultivation.

"The signing of the Armistice brought the beginning of the end of the European war-market.The 40 million acres of European agricultural land which had gone out of production during the war years RETURNED to the plow, and by 1932 the acreage under cultivation in Europe exceeded by 10 percent what it had been prior to 1914.

"While Europe's post-war production acreage had increased by 10 percent, that in Canada, Argentina, and Australia was 15 million greater in 1932 than in 1920, and 41 million greater than in 1909-1913.

"The volume of crop output OUTSIDE the United States had increased 40 percent above its pre-war level."

Information obtained from U.S. Dept. Agriculture,
Division of Information, AAA.

Additional causes of America's mounting surpluses: (a) motorization: (b) Anti-immigration laws restricted growth of population: (c) change in food habits of American people.

a. Motorization. "With automobiles, trucks and tractors coming into almost universal use, the number of horses was greatly reduced. Horses eat hay and grain; automobiles and tractors do not. Therefore an outlet for the product from approximately 35 million acres of crop land was gone."

Rexford G. Tugwell,

"Economic Freedom and the Farmers" April 28, 1934

b. "Post-war Immigration laws sharply restricted population growth in the United States. For many years farmers enjoyed an expanding domestic market. The natural increase in domestic population had been supplemented by the yearly arrival of hundreds of thousands of foreign immigrants. During the last ten years this flow has not only been stopped, it has turned in the other direction. More people are now leaving this country than are coming in.

c. "People were forming new habits of eating. Refrigerator cars moving by rail, and motor trucks on the new hard roads, bring fresh vegetables into every man's year-round market. The American who was eating 5.6 bushels of wheat per year when the war started had room for only 4.6 bushels in his diet during the 1920's. While this meant good times to the truck-gardener, the suddenness of the change was upsetting to agriculture as a whole."

"Achieving a Balanced Agriculture." pp. 11, 12.

"All these things combined, - loss of export markets, release to food production of acreage once used for producing feed for horses and mules, and increase in production of food per acre and per head of livestock, -- all these have saddled agriculture with surpluses that bear down prices."

Henry A. Wallace, Secretary of Agriculture
"Farm Practice and Agricultural Adjustment."
Broadcast March 8, 1934.

Discuss the agricultural policy adopted by Europe
following the War.

"War blockades had convinced the civil population as well as the military experts of the various European states that it was vitally necessary to be able to feed themselves from within their own borders. There was a general willingness to pay the price of putting back on its feet the agricultural population which American dominance of the world market had for

years been squeezing to the wall. Tariff and quota barriers designed to protect home production were pushed to ever greater heights by France, Italy and Germany, and 'imperial preference' was adopted in the British Empire."

"Achieving a Balanced Agriculture". p. 11.

Name the foreign tariff on some of our basic
agricultural exports

"To stimulate production at home, Germany increased her tariff on wheat from \$0.42* per bushel in 1929* to \$2.11 per bushel at the present time, on lard from \$0.65 per hundred pounds to \$18.10 per hundred pounds, and on leaf tobacco from \$8.84 per hundred pounds to \$32.58 per hundred pounds.

"Italy raised her tariff on wheat from 14 gold lira per hundred kilos (\$0.74 per bushel) in 1929 to 75 paper lire per hundred kilos (\$1.78 per bushel) at the present time and also introduced a system of required percentages of domestic wheat to be used in Italian mills similar to that of Germany.**

"France raised her duty on wheat from 50 francs per hundred kilos (\$0.53 per bushel) in 1929 to 80 francs per hundred kilos (\$1.46 per bushel) at the present time and, in addition, introduced a system of quantitative restriction by means of import quotas unsurpassed for extensiveness by any nation in the world.

"During the present year the United States may ship about 50 million pounds of cured pork (to England) whereas in 1927 we shipped 164 million pounds and in 1921, 409 million pounds."

Secretary Wallace in "New Frontiers." pp. 80, 81.

What steps are being taken to regain our lost
foreign markets? If not successful, what then?

"The Administration believes that if American agriculture and industrial interests are to regain and retain their rightful place in international trade, the Government must be in position to grant corresponding opportunities in the American market for foreign products, supplementary to our own. In recognition of this principle of trade reciprocity, the Reciprocal Tariff Act was passed and became a law June, 1934. It gave the President power to alter the existing tariff rates by as much as 50 percent in the case of those countries which made advantageous concessions to American products. Trade agreements made under the provision of this Act will be clear-cut arrangements for the exchange of goods and of mutual advantage to the signatory parties. In short, each of the contracting countries will open to the other its markets which are now closed and which the other can supply goods to fill. One such trade agreement was concluded with Cuba. Negotiations for others are under way.

"In addition, information for the sale of American products abroad is furnished constantly through commercial attaches and American consuls located in foreign cities. The Tariff Commission exists for the purpose of recommending changes in the tariff rates and for the study of commodities upon which duties are levied. The Export-Import Banks have been created to facilitate a revival of better trade relations with Russia and Cuba. Toward the close of 1933 the post of Special Adviser to the President on Foreign Trade was created.

The duty of this officer is to explore the possibilities of mutually advantageous exchange and to advise the President in connection with the Reciprocal Tarriff Act."

Information obtained from U. S. Department
Agriculture, Division of Information, AAA

"In talking of foreign trade we must face the fact that we cannot sell abroad if we will not buy.

"Trade does not usually move directly between two countries; streams of triangular trades which existed before must be re-established, such as our wheat to the Continent, industrial from the Continent to South America or Asia, and coffee, rubber, silk and other tropical products back to us to balance the accounts. Most of our farm products used to move through such indirect trades. Trade agreements which tend to force either bilateral trade would involve the danger of reducing rather than increasing the total volume of farm exports.

"If we are not successful in establishing a considerable portion of our exports, then grave readjustments lie ahead. New uses must be found for millions of acres, and new employments for hundreds of thousands of people, in the cotton, wheat, tobacco, and corn-and-hog belts. Railways that serve seaports, and port facilities and seaboard industries which depend on foreign trade may need to be relocated. Our whole industrial organization, which is tied in with the rest of the world at a score of ocean gateways, might have to be materially recast. Perhaps interiors would become dominant, while Boston, New York, Philadelphia, New Orleans, Galveston, San Francisco, Portland, Seattle and other seaports would cease to grow.

"Barring foreign trade restoration, we must reorganize the whole economic life of this country far more drastically than any one has yet visualized -- or else accept a permanent level of stabilized poverty for millions of our people."

Mordecai Ezekiel, speech at Washington, D. C.
November 21st, 1934.

AMERICAN AGRICULTURE & DOMESTIC MARKETS.

What have been the changes in the domestic consumption in the post-war period?

"The domestic consumption of agricultural products used as food has been remarkably stable throughout the post-war period. The total quantity of food products which have been moved into kitchens or into plants, where foods are prepared for direct human consumption has averaged about 1458 pounds per capita per year, or about 4 pounds per day. Total per capita consumption of foodstuffs varied from 1430 pounds, for the period 1919 through 1924, to 1484 pounds in the exceptionally prosperous period, 1924-1930, and 1462 pounds in the depression period 1930-1933. Consequently, the average food consumption per capita has not varied more than two percent during the entire post-war period. The average per capita domestic consumption of agricultural raw materials and non-food products, such as cotton, wool, hides, flax-seed, and tobacco, has been somewhat more variable."

What have been the changes in the domestic PRICES of
agricultural products in the post-war period?

"Tremendous price fluctuation took place in agricultural products between 1919 and 1934. The price of wheat, for instance, went from \$2.16 per bushel in 1919 to 92 cents in 1923, to \$1.43 in 1925, and then down to 38 cents in 1932. Cotton brought 35.41 cents per pound in 1919. The next year it fell to 15.92 cents, and then by 1923 it climbed back to 28.69 cents. By 1932 it had fallen to 5.66 cents, the lowest point it had reached since 1894. Study of hog prices reveal similar fluctuations. Hogs brought \$16.01 per 100 pounds in 1919, but by 1923 the price had fallen to \$7.10, only to climb back to \$11.74 in 1926. In 1921 farm value per hundred weight was only \$3.44. In short, farm commodity prices had averaged nearly 50 percent above pre-war level in 1928, but by early 1933 they had fallen to a point 50 percent below the pre-war level."

What accounts for the low prices during the depression?

"Faced with the loss of his foreign market and the appearance of price-depressing surpluses in the domestic market, the American farmer, working as an individual, did not curtail his production. He had certain fixed charges to meet, interest charges, insurance, taxes. Hence, to meet the threat of low prices, as against these fixed charges, the individual farmer produced still more units of farm commodities in order to keep going. So long as he acted as an individual there was very little else that he could do."

"Continued high-gearred production meant the creation of surpluses and price depression. A restriction of production meant liquidation of a large part of the agricultural plant. These were the alternatives the American farmer was offered. But despite the fact that agricultural prices had fallen more than 60 percent, agricultural production remained practically unchanged."

"As surpluses appeared on the farm, and the farmer sold his food at lower and lower prices, he was less and less able to buy the things that the people in the cities were making. He purchased less and less clothing for his family, fewer and fewer building materials, less and less farm machinery. The textile industry, the building materials industry, the steel industry, and many others lost their farm orders. One surplus caused another. But the manufacturer who found that he was accumulating a surplus, stopped his production. He put his factory on short time, or closed it completely. By so doing he turned a surplus into a surplus of men, who could no longer convert their time into money. They could no longer buy the things they needed to eat (or wear) partly because the farmer could no longer buy the things they had been making. By the end of 1932, more than 6 million farmers out of funds were matched (according to one estimate given in the spring of 1933) by more than 6 million city workers out of jobs who had lost them largely because the farmers could not buy."

Information from U. S. Dept. Agriculture
Bibliography: "Yearbook of Agriculture 1934".
Wallace's "New Frontiers"
"Achieving a Balanced Agriculture"
Ezekiel's "Economic Bases for Agricultural Adjustment Act."
L. H. Bean, "Economic Trends Affecting Agriculture."
Helen H. Miller: "Foreign Trade and Your Job."

AMERICAN AGRICULTURE AND INDUSTRY

"The hardship of the post-war era will not have been wholly in vain if we have learned, for all time, that the farmers of each area, and the workers in each industry, are interdependent, and stand or fall together."

Henry A. Wallace, Secretary of Agriculture.
November 8th, 1934. *

.....

What was the effect of devaluation of farm
products on Industry?

- a. Factory and Mining interests.
- b. Textile mills. (Clothing, household furnishings, etc.)
- c. Building materials. (Brick, cement, paint, hardware, finished lumber, etc.)
- d. Steel industry. (Machinery, tractors, trucks, cars, cultivators, etc.)

"Figures compiled by the Division of Statistical and Historical Research of the Federal Reserve Board show that the index of production for iron and steel fell from 130 in 1929 to 31, in 1932. The index for production of bituminous coal fell during that three years from 102 to 39; for automobiles, from 135 to 35, practically one-fourth of what it had been in 1929. The index of production for boots and shoes for this period fell from 110 to 95, and for textiles from 115 to 53. The combined index for all these products fell from 119 to 63.That is the way industry slowed up production, a process justified considering the fact that these goods could not be sold at a reasonable price.Farmers had ceased to be customers for goods and services provided by the cities; and lack of buying power among city people was a contributing factor in low prices of farm products.If the farmers could start to buy again, the wheels of industry would begin to turn."

Taking Stock of the Situation."

Division of Information, AAA, June 18, 1934.

"When the 30,000,000 farm people no longer had buying power, business declined. When business could no longer sell to farm people, business could buy the output of industry. When industry no longer had an outlet for its goods, it laid off industrial workers and reduced its output or closed down. When industry reduced its output or closed down, it no longer had need for raw materials which agriculture had to sell, and unemployed industrial labor no longer had the means with which to buy the products of the farm, and so the vicious circle of economic stagnation was completed."

D. P. Trent, Assistant Director Commodities
Division, AAA. "The Purposes and Results of the
Agricultural Adjustment Act." pp. 2, 3.

"As the farmer sold his goods at lower and lower prices, he bought less and less clothing, fewer and fewer building materials, less and less farm machinery. The textile industry, the building material industry, the steel industry and many others lost their farm orders. By the end of 1932, from the standpoint of the maker and seller of city products, it was as if all the people had vanished from half of America's farms, and from the standpoint of the grower and seller of farm commodities, it was as if half of America's cities had become cities of the dead."

"In many industries the length of the bread line was directly in proportion to the surplus of bread."

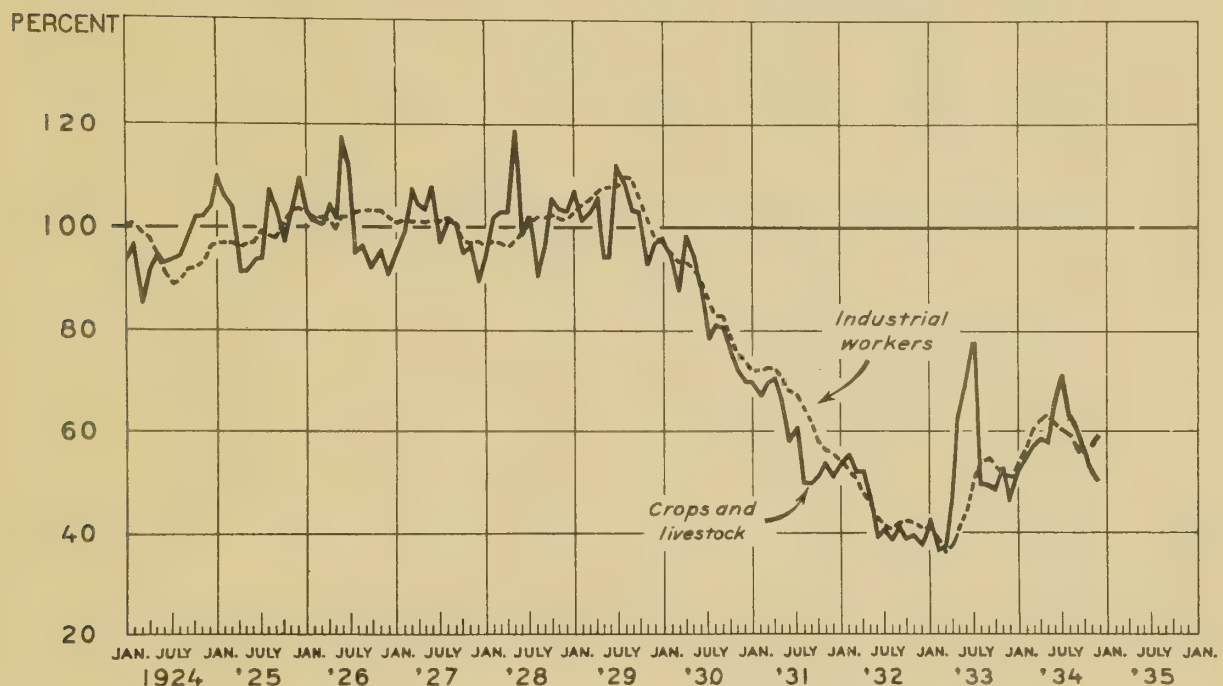
"Achieving a Balanced Agriculture", p. 3.

"Building activity was reduced by 90 percent, and thousands of individual enterprises shut down completely."

Information obtained from U. S. Department of Agriculture, Information Division, AAA.

CASH FARM INCOME FROM CROPS AND LIVESTOCK AND INCOME OF INDUSTRIAL WORKERS, 1924 TO DATE

INDEX NUMBERS (1924-1929=100) ADJUSTED FOR SEASONAL VARIATION



U. S. DEPARTMENT OF AGRICULTURE

NEG. 27017-B BUREAU OF AGRICULTURAL ECONOMICS

TOPICS FOR DISCUSSION

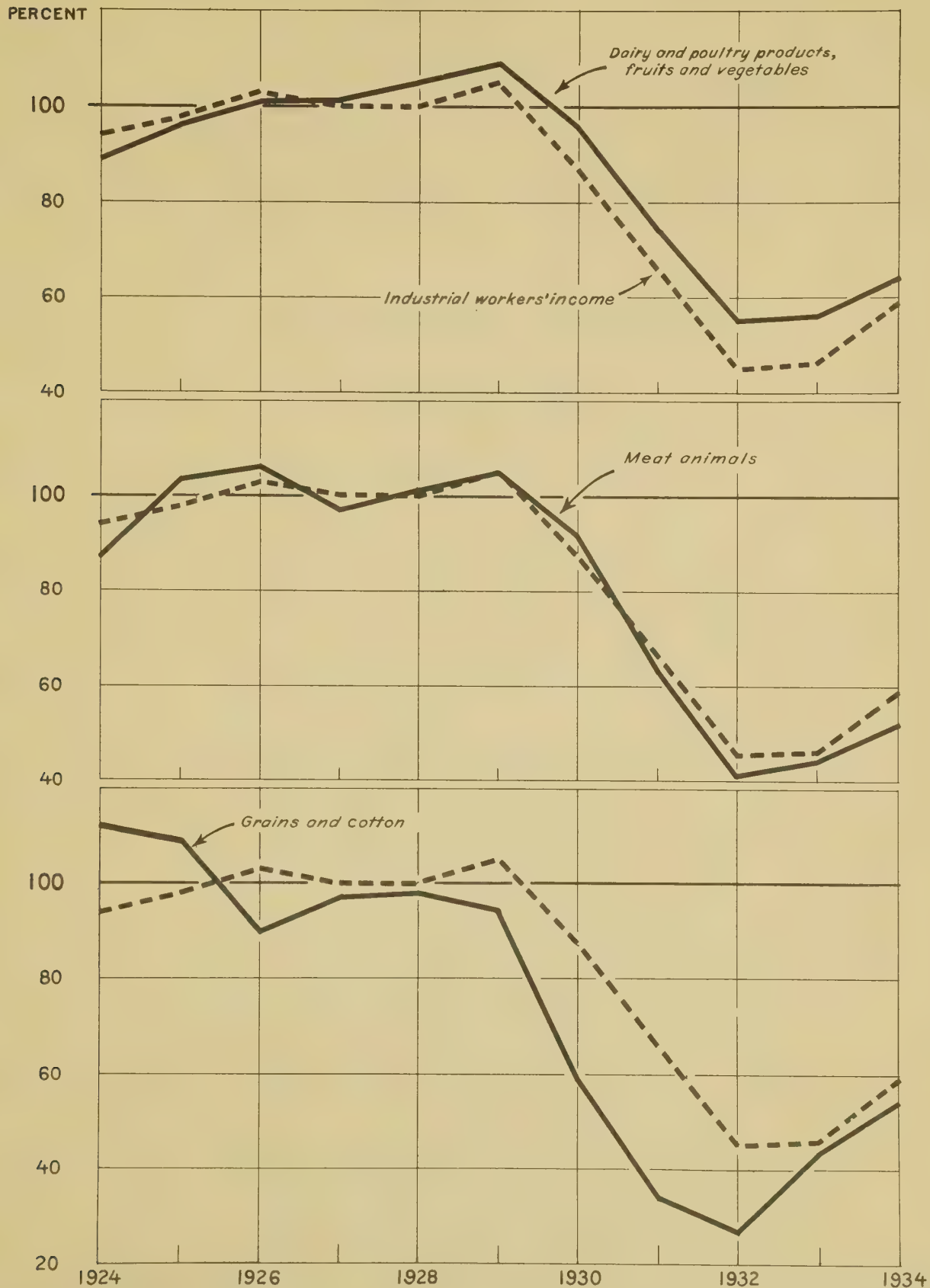
Relation of Mercantile Business to Agriculture.

"When money is placed in farmer's hands, it soon finds its way all through the channels of commerce, first in the little home communities, then in the larger cities." M. L. Wilson.

"Farmers and other rural people buy normally 25 percent of all products and services produced in the nation. With this purchasing power reduced by 40 percent they accounted, it is estimated, for some 4 million of the urban and industrial workers who were out of jobs in 1933."

INCOME OF INDUSTRIAL WORKERS AND CASH INCOME FROM FARM PRODUCTS

1924-1929=100 PERCENT



"An example of the way increased returns to farmers might be expected to circulate back to industry, stimulating business activity on the way, is provided by the case of almost any farmer who has received a benefit check. Farmer Schultz receives his check and turns part of it over to his wife. Mrs. Schultz goes to the town nearby and purchases shoes for the children, hats, coats, and other clothing which the family has long needed. The result of the business brought to the store by Mrs. Schultz and her neighbors whose husbands likewise have received benefit checks, makes increased business activity in the little town. Additional clerks are hired - for the first time in three years - drawn from the village unemployed. These clerks, in turn, become units of new purchasing power. The store-keeper's stock is depleted, and he puts in orders with city buyers, who, in turn order from factories, thus accelerating the wheels of industry."

The Relation of Transportation to Agriculture.

(Water transportation, railroads, trucks,
farm products to market, industrial
products to the farm.)

"We have examined the waybills of two representative southern railroads, - the Southern Railway System, and the Central of Georgia.

"Both roads penetrate the farming areas of the Southeast, and may be expected to reflect, in their shipments, any gain or loss in farm purchasing power.

"From three great industrial States--Massachusetts, New York and Pennsylvania,--shipments to the Southeast in the first 10 months of 1933-34 were 43 percent greater in total tonnage than in a comparable period in the previous year.

"...The farm implement industry of Auburn, New York, for instance, shipped to the Southeast via these two railroads 23 tons of machinery in 1933-34 as against 12 tons the year before; refrigerator concerns in Erie, Pennsylvania, more than doubled their shipments; shoe manufacturers in Boston trebled theirs."

Secretary Wallace, "The National Agricultural Program in Relation to the Northeast." pp. 9, 10.

"Shipments from Lancaster to the Southeast over these two railroads increased from 602,000 pounds to 1,280,000 pounds, or more than double. These shipments included steel beams, cereal beverages, paper products, burlap, cement, tin cans, carpet and carpet lining, chocolate and confectionery, felt rugs, glassware, household goods, linoleum, looms and parts, machinery, rags, steel plates and tile. Linoleum alone increased from 38,000 to 110,000 pounds while carpets and carpet linings went from 138,000 to 214,000 pounds. Matches...increased from 78,000 pounds to 362,000."

M. L. Wilson, Address delivered Lancaster, Pa., Nov. 2, 1934.

The Relation of Insurance Companies and Banking Institutions to Agriculture.

"The decline in farmers' buying power had unfortunatè effects...upon the banking system. First the small outlying banks began to go. Then, as the farm depression deepened, the effect upon banks spread in continually widening circles. The loss of farmers' buying power was just one among the forces which undermined the financial structure, but it was unquestionably an important factor."

Rexford G. Tugwell: "Economic Freedom and the Farmer." p. 6,
April 28, 1934.

"The farmer's inability to meet his fixed charges jeopardized his entire future. It also jeopardized the life savings of millions of his fellow Americans, for his two chief creditors were the trustees of those savings--the insurance companies and the banks.

"In 1931, 1750 banks failed in towns of less than 5,000 population. In 1932, 1129 more followed. Most of the more than 4000 banks whose position at the beginning of 1933 was too weak to enable them to obtain licenses after the moratorium were COUNTRY banks. Several minor insurance companies failed, and the position of the larger ones was far from satisfactory."

"Achieving a Balanced Agriculture." pp. 21, 22.

TOPICS LOCAL IN COLOR FOR DISCUSSION.

Have owner-operated farms in your locality increased or decreased in the last decade?

Has assessed valuation increased or decreased? If so, how much?

Has tax delinquency increased? On what percentage of farms in your locality (county or state) are taxes delinquent?

What has been the effect of tax-delinquency on local conditions? Schools, Highways? Community welfare work? Agricultural Extension work?

If farms have been lost through foreclosures, who owns them now? Are they being operated? If so, how?

(For information consult your County Agent)

.....

SUMMARIZE:

The Relation of Agricultural Income to National Prosperity.

"Farm income and general purchasing power are definitely inter-related. This is illustrated by the fact that most of the time between 1921-32, variations in farm incomes have been marked by parallel changes in the money income of industrial workers. At a few critical periods, however, an increase in consumers' income was preceded and supported by farm income improvement. This happened in 1924 when in the face of declining industrial activity and decreasing consumer income a sharp rise in farm income, resulting from foreign demands for wheat, aided in checking a business recession and bringing about a business upturn. In 1926 the farmers, even though getting less than their share of the national income, were a vital factor in the business life of the nation. They were purchasing approximately \$7,500,000,000 worth of goods. By the end of 1932 these purchases had been greatly curtailed because the farmer's income had dropped from \$9,658,000,000 to \$4,201,000,000. An estimated 6,000,000 city workers were on the streets because an equal number of farmers could not buy.

Information obtained from the U. S. Dept. of Agriculture,
Division of Information, AAA.

"Many persons have wondered why the Government should be concerned with reducing the production of farm products when there are people who must depend on public relief for food and clothing and who are reduced to a bare minimum of both.

"The pressure of abnormal supplies on the market tends to upset the delicate balance of price and income relationships. When too much cotton, wheat and pork are forced into trade channels prices received by farmers dwindle to levels so low that they themselves cannot buy the goods which city workers manufacture. The result is that factories close down and employees are thrown out of work. They, in turn, are unable to buy the products of other city workers, who also lose their jobs. When the other factors tending to slow up business activity join in there follows the whole vicious downward spiral with unemployment, falling prices, bank failures, business bankruptcies, hunger and suffering. Millions of people unable to support themselves, are compelled to depend on public support."

Rexford G. Tugwell, Assistant Secretary of Agriculture.
"Agriculture and the Consumer." U.S.D.A. Bulletin G-17

"Almost every one has come to realize the interdependence of Agricultural and non-Agricultural pursuits which, in popular language, we group under the word Industry. In order for a Nation like ours to prosper there must be maintained a balance between the two. Since each trades with the other, each must supply the other with a certain amount of purchasing power."

M. L. Wilson, Assistant Secretary of Agriculture.
"Planning Agriculture in Relation to Industry."
An address delivered before the Country Life
Association, November 18, 1934.

